
Iowa Legislative Services Agency Fiscal Services

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State Capitol
Des Moines, IA 50319
December 3, 2004

Conservation Reserve Enhancement Program

ISSUE

This *Issue Review* provides an overview of the Conservation Reserve Enhancement Program (CREP).

AFFECTED AGENCIES

Department of Agriculture and Land Stewardship (DALIS)

CODE AUTHORITY

Section 466.5, Code of Iowa

BACKGROUND

The Conservation Reserve Enhancement Program (CREP) is a partnership between federal, State, local, and private entities that provides financial incentives to landowners to establish wetlands for water quality improvement in the tile-drained regions of Iowa. The Program includes 37 counties in north-central Iowa in an area that has been identified as a contributor to high nitrate loads in the Mississippi River Basin.

The Program was initiated from the Environment First Fund established by the 2000 General Assembly in SF 2453 (FY 2001 Infrastructure Appropriations Act). Program goals include:

Wetlands Component

- Construction and/or restoration of up to 8,000 acres of wetlands and riparian buffer acres.
- Reduction of nutrient loading to surface waters from agricultural drainage.
- Addition of wetlands to remove 3,000 to 6,000 tons of nitrate-nitrogen annually over the next 10 years.

Lake Panorama Component – Reduction of sediment in Lake Panorama by 80,000 tons per year.

Wetlands constructed over the first three years of the program are expected to total \$38.0 million in State and federal funds. The Program is administered by the United States Department of Agriculture (USDA) Farm Service Agency and the Soil Conservation Division of the DALS with technical support provided by the USDA Natural Resources Conservation Service. Practices include wetland restoration and buffers in the wetland component and erosion control, filter strips, and riparian buffers in the Lake Panorama portion. State funding for the CREP leverages federal USDA funds at a four-to-one match.

Landowners receive incentive payments in exchange for long-term Conservation Reserve Program contracts. The following is a summary of the payments:

Wetland Component Incentives

- Annual rental payments of 150.0% of the weighted average cropland soil rental rate for up to 15 years.
- Cost share assistance of 50.0% for installation of the practice.
- Federal Practice Incentive Payment equal to 40.0% of the total practice cost.
- State payment of 10.0% for reimbursement of practice cost.
- One-time State payment to landowners that agree to one of the following easement options:
 - Perpetual easement with a \$650 per acre payment.
 - Thirty-year easement with a \$325 per acre payment.

Lake Panorama Component Incentives

- Annual rental payments of 140.0% of the weighted average soil rental rates for up to 15 years.
- Cost-share assistance of 50.0% for practice installation.
- Federal Practice Incentive Payment equal to 40.0% of the total practice cost.
- Lake Panorama Association (LPA) payment of 10.0% for reimbursement of the practice establishment.
- One-time federal Signing Incentive Payment of \$150 per acre for land enrolled.
- One-time LPA payment to landowners for easement agreement.

CURRENT SITUATION

The development of the CREP wetland projects involves a lengthy process that requires considerable coordination between private landowners and federal, State, and local agencies. Program implementation includes the following:

- Strategic site identification.
- Land rights negotiations and enrollment.
- Intensive engineering and tile-drainage design analysis.
- Public bidding and contracting.

- Construction quality control while maintaining landowner rights and operations objectives.

Since the Program was established, there have been six sites completed. The following is a summary of other projects:

- 32 sites in the engineering phase with funds obligated.
- 258 sites where the landowner is considering a CREP project.
- 760 sites identified for CREP projects.

Other issues that have impacted the timeline for CREP projects include:

- A recent decision by the U.S. Army Corps of Engineers that reversed the interpretation of Nationwide Permit 27 as applied to the establishment of conservation practices. This will require conservation projects to have regional or individual permits and will extend the lengthy Program timeline. This also threatens subsequent State and federal agency agreements with landowners.
- The rights of Iowa landowners participating in the Program to revert land to prior use after expiration of the 30-year Program easements are in question. There are efforts underway to protect these rights and to meet other regulatory requirements imposed by the decision.

BUDGET IMPACT

The following table provides the State funding to the CREP for FY 2002 through FY 2005 (as of November 1, 2004).

| Conservation Reserve Enhancement Program Funding (in thousands) | | | | |
|---|----------------|----------------|----------------|----------------|
| Description | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Carry Forward Balance | \$ 1,491 | \$ 0 | \$ 1,273 | \$ 2,601 |
| Appropriation | 1,500 | 1,500 | 1,500 | 1,500 |
| Deappropriation | -2,960 | 0 | 0 | 0 |
| CREP Expenditures | 31 | 227 | 172 | 111 |
| Balance | \$ 0 | \$ 1,273 | \$ 2,601 | \$ 3,990 |

Several projects are currently in the survey, design, and/or engineering phase, obligating approximately \$2.8 million in State funds. The CREP unobligated balance is approximately \$1.1 million.

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Conservation Reserve Enhancement Program
<http://www.staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>
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